



0000158462

BEFORE THE ARIZONA CORPORATION COM
RECEIVED

BOB STUMP
CHAIRMAN
GARY PIERCE
COMMISSIONER
BRENDA BURNS
COMMISSIONER
BOB BURNS
COMMISSIONER
SUSAN BITTER SMITH
COMMISSIONER

2014 DEC -5 P 12:40

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

DEC 05 2014

DOCKETED BY

IN THE MATTER OF RESOURCE
PLANNING AND PROCUREMENT.

Docket No. E-00000V-13-0070

ORIGINAL

JOINT COMMENTS FOR REFORMING THE ARIZONA CORPORATION
COMMISSION'S INTEGRATED RESOURCE PLANNING PROCESS

The Arizona Competitive Power Alliance (ACPA), Efficiency First AZ (EFAZ), Residential Utility Consumer Office ("RUCO"), Southwest Energy Efficiency Project (SWEEP), Solar City, Solar Energy Industries Association (SEIA), Western Grid Group, and Western Resource Advocates ("Joint Parties") offer the following joint comments in response to the Staff sponsored assessment of the 2014 Integrated Resource Plans (IRP) of the Arizona electric utilities and the November 7, 2014, IRP stakeholder workshop.

In the Staff Draft IRP Report assessment and during the November workshop, Staff expressed concerns about the current IRP process and asked parties for suggestions on how

1 to improve it.¹ In response to Staff's request, several parties provided preliminary suggestions
2 during the November workshop and have subsequently developed these ideas in more detail.
3 This joint filing attempts to offer Staff a series of solutions to address the weak points identified
4 by Staff. We believe the suggestions offered below would improve the IRP process by providing
5 more effective opportunities for stakeholder input, and more independent analysis and review
6 of the plans as they are being developed, and by enhancing the Commission's oversight of
7 near-term resource decisions via approval of near-term Action Plans. We believe that the
8 changes being proposed could be implemented within the structure of the current rules.

9 **1. AREAS FOR IMPROVEMENT IN THE ACC IRP PROCESS**

10 The current Arizona Corporation Commission (ACC) IRP process has provided some
11 valuable information to the ACC and other stakeholders. However, there is substantial room
12 for improvement from a process and informational perspective. Increasing the amount of
13 independent analysis during critical elements of the IRP process and collecting more useful
14 data would alleviate several concerns, including (but not limited to) the ones described below.

15 *A) Concern 1: Inappropriate Planning Assumptions*

16 In the current ACC IRP process, inputs and assumptions drive the IRP in a direction that
17 may not accurately reflect actual market conditions or customer preferences. Objective
18 analysis is crucial to evaluating assumptions. Examples of critical inputs include:

- 19 • Load forecasts,
- 20 • Resource costs,
- 21

22 ¹ For example, during the November 7, 2014 workshop, a member of the Utilities Division staff stated the following:
23 "We're concerned that even though [load-serving entities] are complying with the intent of the IRPs, important
24 resource decisions are being made outside of the IRP. We're grappling with what to do. I wish I had an answer
for you today but in that regard I would like to open it up and see if anyone has some ideas."

- Adoption rates of new technologies,
- Assessment of impacts of future regulations,
- Customer preferences.

B) Concern 2: Disconnect between Resource Procurement and Resource Planning

The current IRP process does not hold utilities accountable for making investment decisions based upon the plans they submit. Consequently, resource procurement decisions can — and have been — made outside the IRP framework without a full evaluation of alternatives and without stakeholder input. Furthermore, the IRP process often overlooks the role of new market entrants and may not correctly appraise new technologies.

C) Concern 3: Insufficient Data and Analysis

Rapidly changing technology, new consumer preferences, and federal environmental regulations (e.g., EPA 111(d) Clean Power Plan) present challenges and opportunities that the current IRP process fails to fully capture. More data and analysis are needed to understand the trends shaping the electric industry in order for Arizona to prepare and benefit when possible.

D) Concern 4: Absence of Independent Analysis

Greater use of independent analysis would increase the objectivity, value, and usefulness of the IRP documents and IRP process. To date, the Commission has used a consultant to provide a basic review and summary of the IRPs submitted. However, the consultant has provided little critical analysis of the costs, benefits, or risks of the alternative portfolios, nor provided information to the Commission that could be used for it to evaluate, consider and acknowledge a preferred plan. We believe that a more comprehensive analysis of resource planning issues is needed. A consultant to the Commission could provide the

1 needed expertise and help guide the IRP process. This consultant should review and comment
2 on the utility-developed IRPs, and should also compile the utility-developed IRPs and analyze
3 and develop, based on available data, a statewide assessment of energy needs to provide
4 context for Commission decision-making. A Consultant would also analyze the near-term
5 needs and resources proposed by the utilities in their Near-Term Action Plans (see proposal
6 below) submitted to the Commission for review and approval and make recommendations on
7 the consistency of each Action Plan with the selected IRP resource portfolio.

8 **2. PROPOSED REFORMS TO THE ACC IRP PROCESS**

9 To address these issues, the Joint Parties propose to modify the current IRP process
10 as outlined below. We believe these modifications can be accomplished under the current IRP
11 rules with sufficient direction from the Commission. The Joint Parties also believe that the
12 process below should be applied to the 2014 utility IRPs to the extent practical.

13 A request for proposals (RFP) would be issued by the Commission to hire a Consultant
14 to conduct an independent analysis of utility resource needs and provide a critical analysis of
15 the IRPs and three year action plans. In addition, Arizona energy planning and decision-making
16 would benefit from having a more integrated statewide examination. The proposed revisions
17 help accomplish this by placing the ACC in front of the process with actionable information. We
18 believe that the consultant would most likely consist of a team of experts.

19 *Step 1: Define Key Assumptions, Resource Options, etc.*

- 20 • Stakeholder workshops would be conducted by the Commission to help determine
21 key assumptions, (e.g., future fuel prices, load growth rates, discount rates, etc.).
- 22 • The consultant team would obtain reliable information on such topics as:
 - 23 ○ Cost and availability of various resources
 - 24 ○ Timing of resource procurement
 - Resource operating characteristics

- If certain additional information is needed, an RFI could be issued to collect information on resource options.

Step 2: Obtain Data and Conduct Analyses to Provide Guidance to Utilities

- The Commission's Consultant would gather and analyze data to recommend additional scenarios and portfolios in the IRP plans for utilities to analyze. The consultant would:
 - Recommend multiple sensitivity analyses that combine scenarios for fuel, water, federal regulations, etc.
 - Evaluate cost projections of new and emerging technologies.
 - Identify risks and offer risk management strategies.
 - Assess the potential and consumer desire for new and emerging technologies, the role of new market entrants, and adoption of new technologies by customers, vendors, and utilities.
 - Obtain key statistics like revenue requirement per customer on a historical and projected basis.
- This process of recommending portfolios and scenarios should consider:
 - Customer preferences (deliberative polling of customers could be used to inform the ACC of customer preferred resources).
 - State-enacted policies.
 - Federal regulations.

Step 3: Develop IRP and Near Term Action Plan

- Based upon input and results from the previous steps, the utilities would develop their 15 year IRPs in accordance with existing rules.
 - As in the current process, each IRP would include a base portfolio and additional resource portfolios. Portfolios should be substantially different from the base to provide a useful perspective on portfolio tradeoffs.
 - As done currently, each portfolio would be subject to scenario or sensitivity analysis.
- Utilities should address integration of generation with transmission and distribution planning in the IRP including:
 - Identification of beneficial locations for customer-sited investments.
 - More robust evaluation of how resource portfolios drive transmission needs and additional anticipated capacity needs for each scenario.
 - Consideration of operational changes, such as joining the Energy Imbalance Market that will provide system benefits.
- To the extent possible, the Consultant and utilities should take a statewide perspective.
- The Consultant would then review and analyze the plans.

- If needed, the Consultant would have the opportunity to suggest modifications to specific areas in the IRP to produce revised outputs.
- Once the IRP review is finalized the utilities would develop a Near-Term Action Plan, with stakeholder input, to identify upcoming procurement decisions needed to achieve the selected portfolio. The Action Plan should be based on the long-term plan, and should include actions necessary to accomplish future objectives beyond three to five years.
- The Commission would approve the Action Plan and acknowledge a long-term IRP with a selected portfolio if it concluded that doing so is in the public interest.

Step 4: Review Near Term Action Plan and Specify Details of the Resource Needs

- If near-term resource needs were identified by the utility in its Action Plan, the Independent Consultant would evaluate and verify these needs. This would not establish prudence for rate making purposes.
- Based on the needs in the Action Plan, the Consultant in partnership with the utility and stakeholders, would also establish specific parameters of the needs for the purposes of resource procurement.
 - For example, the Consultant may determine that, in the next 3 years, the utility needs to procure 200 MW of peak capacity, 100 MW of flexible ramping capacity (capable of ramping in less than 3 hrs.), and 50 Mvars of reactive power in a specific location.

Step 5: Conduct Competitive Resource Procurement

- Utilities would follow the established rule to procure resources, as identified in an approved Action Plan, through a competitive Request for Proposal (RFP) process². The Commission, its Consultant, and stakeholders would be provided an opportunity to review and comment on the RFP prior to its release.
- This RFP process would include an Independent Monitor as specified in existing policy (A.A.C. R14-2-706). The results of the RFP would be subject to an independent review and comment by the ACC Consultant.
- We recognize that certain types of demand side resources (e.g., EE) would be unable to compete effectively through this type of procurement mechanism

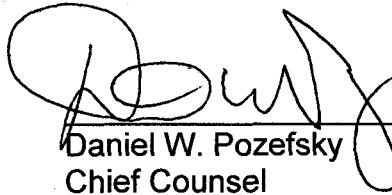
² R14-2-705B on Procurement indicates that an "A load-serving entity shall use an RFP process as its primary acquisition process for the wholesale acquisition of energy and capacity, unless one of the following exceptions applies...." R14-2-705 in its entirety can reasonably be interpreted as requiring utilities to competitively seek resources that meet specified criteria (such as the ability to provide capacity or ramping ability) and invite providers of a variety of technologies and projects to offer proposals.

1 because of challenges in aggregating the resource, even if they are much lower
2 in cost. Instead, these resources would be procured directly by the utility.

3 **CONCLUSION**

4 Staff identified several limitations of the current resource planning process (Staff Report,
5 starting on page 101). The Joint Parties have provided these suggestions in an attempt to
6 assist the Commission in improving its IRP process. By strengthening the process under the
7 current IRP rule, the Commission can better ensure that the mix of resources chosen by utilities
8 to serve customers is in the public interest. We request that the Commission and Staff consider
9 and adopt changes to the process of reviewing resource plans as outlined above. The Joint
10 Parties thank the Commission and Staff for taking these comments into consideration and look
11 forward to working with Staff and the utilities to strengthen the IRP process.

12
13 RESPECTFULLY SUBMITTED this 5th day of December, 2014.

14
15
16 
17 Daniel W. Pozefsky
18 Chief Counsel
19
20
21
22
23
24


RUCO

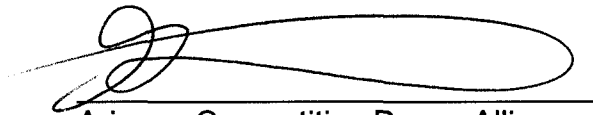
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

Rose Law Group pc

By: 
Court S. Rich
Attorney for SolarCity Corporation

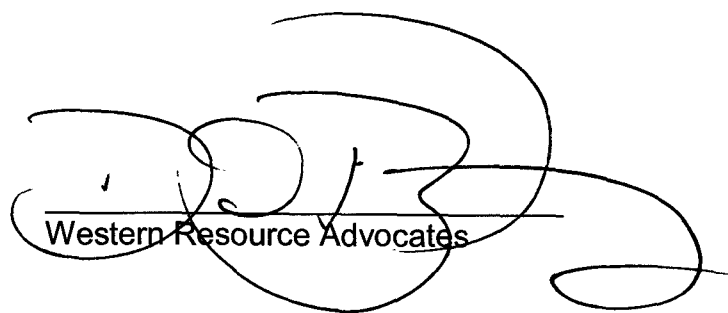
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24



Arizona Competitive Power Alliance

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24


Western Resource Advocates

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24



Jeff Schlegel & Ellen Zuckerman
Southwest Energy Efficiency Project (SWEEP)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

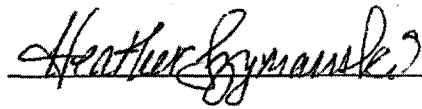

Western Grid Group

John Bingle

SEIA

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24



Heather Szymanski
Executive Director
Efficiency First Arizona

1 AN ORIGINAL AND THIRTEEN COPIES
2 of the foregoing filed this 5th day
3 of December, 2014 with:

4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington
7 Phoenix, Arizona 85007

8 COPIES of the foregoing hand delivered/
9 mailed this 5th day of December, 2014 to:

10 Lyn Farmer
11 Hearing Division
12 Arizona Corporation Commission
13 1200 West Washington
14 Phoenix, Arizona 85007

15 Janice Alward, Chief Counsel
16 Legal Division
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

20 Steve Olea, Director
21 Utilities Division
22 Arizona Corporation Commission
23 1200 West Washington
24 Phoenix, Arizona 85007

Timothy M. Hogan
Arizona Center for Law in the Public
Interest
202 E. McDowell Rd, Suite 153
Phoenix, Arizona 85004
Attorneys for SWEEP

Jeff Schlegel
SWEEP Arizona Representative
1167 W. Samalayuca Dr.
Tucson, Arizona 85704-3224

Greg Patterson
Munger Chadwick
916 W. Adams, Suite 3
Phoenix, Arizona 85007

Giancarlo Estrada
3030 N. 3rd St., Suite 200
Phoenix, Arizona 85012

Patrick Black
C. Webb Crockett
Fennemore Craig, PC
2394 E. Camelback Rd, Suite 600
Phoenix, Arizona 85016

David Berry
Western Resource Advocates
P.O. Box 1064
Scottsdale, Arizona 85252

By Cheryl Fraulob
Cheryl Fraulob